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Report of the Board of Auditors on the special audit of the United Nations Iraq-Kuwait Observation Mission

Note by the Secretary-General

I have the honour to transmit to the General Assembly, pursuant to a request contained in its resolution 54/18 of 29 October 1999, a letter dated 16 May 2000 from the Chairman of the Board of Auditors transmitting the report of the Board on the special audit of the United Nations Iraq-Kuwait Observation Mission.

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Letter dated 16 May 2000 from the Chairman of the Board of Auditors addressed to the Secretary-General

I have the honour to transmit to you the following documents:

(a) The report of the Board of Auditors to the General Assembly on the special audit of the United Nations Iraq-Kuwait Observation Mission;

(b) The letter of transmittal to the President of the General Assembly.

(*Signed*) Sir John **Bourn**
Comptroller and Auditor General
of the United Kingdom of
Great Britain and Northern Ireland
and Chairman
United Nations Board of Auditors

Letter dated 16 May 2000 from the Chairman of the Board of Auditors addressed to the President of the General Assembly

I have the honour to present to you the report of the Board of Auditors to the General Assembly on the special audit of the United Nations Iraq-Kuwait Observation Mission.

(*Signed*) Sir John **Bourn**
Comptroller and Auditor General
of the United Kingdom of
Great Britain and Northern Ireland
and Chairman
United Nations Board of Auditors

Report of the Board of Auditors on the special audit of the United Nations Iraq-Kuwait Observation Mission

Summary

Pursuant to a request of the General Assembly contained in its resolution 54/18 of 29 October 1999, the Board of Auditors conducted an audit of the United Nations Iraq-Kuwait Observation Mission (UNIKOM), focusing on the payment of mission subsistence allowance as a priority. This report covers issues arising from the administration and payment of mission subsistence allowance. The Board will report on other matters arising from the audit in its report on United Nations peacekeeping operations for the financial period ended 30 June 2000.

The Board determined that of the mission subsistence allowance overpayment totalling $851,093.50 made to 192 civilian international staff members from May 1991 to March 1996, an amount of $773,442.54 (91 per cent) had been recovered, leaving a balance of $77,650.96 outstanding as at 31 January 2000.

The Board noted that the overpayments had resulted from the failure of the Mission to adhere to instructions from the Department of Peacekeeping Operations and to implement an important recommendation of the Internal Audit Division regarding the application of mission subsistence allowance policies.

Between May 1991 and September 1996, UNIKOM paid mission subsistence allowance totalling $5,460,188.03 to 1,425 military observers. Of that amount, the payment of $3,792,098.03 was inconsistent with the established procedures, since the payments were made prior to the observers' accruing the entitlement or were based on a formula that differed from the established one. These irregularities did not result in any final overpayment since the amounts paid were eventually earned. The balance of $1,668,090 was paid in accordance with the Notes for the Guidance of Military Observers on Assignment that were in effect at the time of payment.

The Board recommended that, in future, the Department of Peacekeeping Operations ensure that missions comply with established procedures and in particular that they do not pay mission subsistence allowance prior to entitlements.

A summary of the Board's recommendations is contained in paragraph 9.

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I. Introduction and recommendations

1. The General Assembly, in its resolution 54/18 dated 29 October 1999, requested the Board of Auditors to undertake, as a matter of priority, a comprehensive audit of the United Nations Iraq-Kuwait Observation Mission (UNIKOM) covering the question of the payment of mission subsistence allowance. The Board of Auditors carried out this audit during February and March 2000 at United Nations Headquarters and at the Mission in Umm Qasr.

2. In August 1993, the Internal Audit Division (now part of the Office of Internal Oversight Services) identified erroneous payments of mission subsistence allowance made to civilian staff by UNIKOM, and recommended that the Mission conduct a review and recover all mission subsistence allowance overpayments. The Mission did not implement the recommendation until August and September 1996, when it determined that the overpayment to international civilian staff totalled some $844,000. The overpayment was subsequently revised by the Administration to $867,263.50.

3. In three General Assembly resolutions and decisions on the matter (51/440 of 16 December 1996, 51/234 of 13 June 1997 and 52/238 of 26 June 1998), the Secretary-General was requested to recover the amounts overpaid. In its resolution 53/229 of 8 June 1999, the Assembly also requested the Secretary-General to submit a separate report on the overpayments, including the measures taken with respect to those responsible.

4. At the request of the Secretary-General, the Office of Internal Oversight Services, during February and May 1998, conducted a review of mission subsistence allowance overpayments by UNIKOM between 1991 and 1996. The audit focused on the causes of the alleged overpayment, which was estimated by the Administration at $6,327,451.53, including $867,263.50 to international civilian staff and $5,460,188.03 to military observers.

5. The appeals of civilian staff members brought before the United Nations judicial bodies, including the Administrative Tribunal, complaints submitted by the individual military observers and communications received from the Governments concerned had challenged the grounds for recovery of irregular payments of mission subsistence allowance. The Member States had specifically questioned the basis for extending to military observers policies and practices more appropriate for civilian personnel.

6. The Advisory Committee on Administrative and Budgetary Questions expressed concern that the amount of overpayment of mission subsistence allowance by UNIKOM had been revised several times in various reports of the Secretary-General. The Administration had informed the Advisory Committee that in a number of instances information provided to the Committee in the past was not correct (A/54/418, para. 2).

7. The Board's observations and conclusions were discussed with the Administration, whose views, where appropriate, have been reflected in the present report, which covers the administration and payment of mission subsistence allowance. Other issues arising from the audit, including accounts receivable, non-expendable property and procurement, have been raised in a management letter addressed to the Administration and, to the extent that the Board considers it necessary, they will be reported on to the General Assembly in the report of the Board of Auditors on United Nations peacekeeping operations for the financial period ending 30 June 2000.

8. A summary of the Board's main recommendations is reported in paragraph 9. The detailed findings are reported in paragraphs 10 to 30.

9. The Board's recommendations are that the Department of Peacekeeping Operations:

(a) Monitor peacekeeping missions closely to ensure that they implement audit recommendations and comply fully with instructions and established procedures (para. 17);

(b) Ensure that peacekeeping missions do not pay mission subsistence allowance in advance of entitlement (para. 20);

(c) Review, approve and regularly update the draft field administration manual to facilitate the proper administration of field activities (para. 28);

(d) Identify lessons learned from the cases highlighted in the present report and disseminate them to all peacekeeping missions (para. 29).

II. Detailed findings and recommendations

A. Overpayment of mission subsistence allowance to civilian staff

10. In August 1993, the Internal Audit Division conducted an audit of UNIKOM and noted erroneous payments of mission subsistence allowance to the civilian international staff from the inception of the Mission in April 1991. The audit disclosed that the civilian staff in UNIKOM had been paid mission subsistence allowance for weekends and holidays that fell during the period of annual leave and for compensatory time off for which no mission subsistence allowance credits had accrued. The Internal Audit Division recommended that UNIKOM conduct a review and recover all mission subsistence allowance overpayments.

11. Although the Department of Peacekeeping Operations at various times provided guidance and direction to the Mission and specifically requested strict compliance with established rules in respect of payment of mission subsistence allowance, the Mission did not take a timely decision in connection with the recommendations of the Internal Audit Division made in August 1993. The Mission, therefore, continued to effect the wrongful payment until 1996, when it again reviewed the situation and determined that $851,119 had been overpaid to 192 civilian international staff members between May 1991 and March 1996. In April 1997, the Administration revised the amount overpaid to civilian international staff to $867,263.50.

12. The Board examined all the 192 worksheets prepared by the Mission and confirmed that between May 1991 and March 1996, mission subsistence allowance in the amount of $851,093.50 had been overpaid to 192 staff members rather than the amount of $867,263.50 estimated by the Administration. The Board noted that the overpayments had been caused by the failure of the Mission to adhere to instructions from the Department of Peacekeeping Operations and to implement an important recommendation of the Internal Audit Division regarding the application of mission subsistence allowance.

13. Following a mission to UNIKOM, the Compensation and Classification Service, in April 1991, recommended that mission subsistence allowance be paid on a continuous basis, including time out for leave and for compensatory time off, within the prescribed limits. It was not clear from the documentary evidence provided to the Board whether this recommendation had been approved by the Office of Human Resources Management. Subsequently, in February 1992, the Department of Peacekeeping Operations instructed UNIKOM that civilian staff were not entitled to compensatory time off, but that for substantial and recurrent periods of overtime work, the Chief Administrative Officer could grant occasional time off subject to the exigencies of service. In July 1993, the Department of Peacekeeping Operations informed the Mission that mission subsistence allowance should not be paid for weekends or holidays that fell within a staff member's annual leave.

14. The Board determined that between May 1991 and March 1996, of the total overpayment of $851,093.50, an amount of $305,197.50 had been paid to staff members for unearned occasional time off or compensatory time off taken outside the mission area. Similarly, an amount of $202,285.50 had been paid to staff members for additional days spent outside the mission area. The Board also noted that during the same period, an amount of $301,576.50 had been paid for weekends falling during leave spent outside the mission area and that a sum of $42,034 had been paid to staff members for holidays falling during leave spent outside the mission area. All these payments were contrary to United Nations Headquarters' instructions.

15. The Board noted that although the Chief Administrative Officer had failed to implement the instructions of United Nations Headquarters on mission subsistence allowance, which had resulted in the overpayments, no disciplinary action had been taken against the officer. The Department of Peacekeeping Operations informed the Board that it was only in July 1995, at the conclusion of the second review by internal auditors, that the Department of Peacekeeping Operations realized that the Mission had not corrected its procedures or initiated recovery actions for possible overpayments. By that time, the Chief Administrative Officer had already separated from the United Nations (May 1995).

Category	Number of staff	Mission subsistence allowance wrongly paid	Amount recovered	Amount outstanding
		(United States dollars)		
Civilian staff on Headquarters payroll	135	619 819.00	619 513.38	305.62
Civilian staff on payroll away from Headquarters	34	148 154.50	136 466.66	11 687.84
Terminated/separated staff	21	78 747.50	17 462.50	61 285.00
Deceased staff	2	4 372.50	-	4 372.50
Subtotal	**192**	**851 093.50**	**773 442.54**	**77 650.96**

16. The Board noted that out of the amount of $851,093.50 overpaid to 192 staff members, $773,442.54 (91 per cent) had been recovered by the Administration, leaving a balance of $77,650.96 as at 31 January 2000. The details of the recovery are provided in the table above.

17. **The Board recommends that in future, the Department of Peacekeeping Operations monitor missions closely to ensure that they implement audit recommendations and that they comply fully with instructions and established procedures.**

B. Payment of mission subsistence allowance to military observers

18. The Board noted that a total amount of $5,460,188.03 was initially alleged to have been overpaid by the Mission to 1,425 military observers between May 1991 and September 1996 in respect of mission subsistence allowance. This included a payment of $1,448,117.33 to the military observers for mission subsistence allowance for days of leave taken in advance of entitlement and an amount of $2,343,980.70, which was paid on the basis of a formula that differed from the established one. The balance of $1,668,090 was paid in compliance with the Notes for the Guidance of Military Observers on Assignment, which were in effect at the time of payment. The details of the mission subsistence allowance paid to military observers are discussed below.

1. Advance payment of mission subsistence allowance

19. Military observers had been paid a total of $1,448,117.33 for days of leave taken in advance of entitlement. Although this did not result in any overpayment, since the amounts paid were eventually earned, the Board was concerned about the propriety of making mission subsistence allowance payments in advance of entitlement.

20. **The Board recommends that the Department of Peacekeeping Operations ensure that, in future, peacekeeping missions do not pay mission subsistence allowance in advance of entitlement.**

2. Payment of mission subsistence allowance for days of compensatory time off

21. In accordance with the draft field administration manual, compensatory time off is earned at a rate of six days for each complete month of continuous service, including weekends and holidays. Compensatory time off is given to military observers to provide them with opportunities for rest after especially arduous tours of duty. Consequently, it is taken as soon as possible after completion of the continuous period of service. Military observers are required to work for one full month before they are allowed six days of rest. A directive from the Department of Peacekeeping Operations, dated 14 February 1992, which was sent to all missions, including UNIKOM, indicated that compensatory time off could be accumulated only for each month of completed service, emphasizing that no compensatory time would be earned for less than one month of service.

22. The Board noted that UNIKOM had applied a different method of computing compensatory time off, allowing 0.2 days of time off for each day of service, thus enabling military observers to take compensatory time off for less than a month's service. In this regard, a sum of $2,343,980.70 was paid to military observers in respect of compensatory time earned, contrary to the

provisions of the field administration manual. Although the method adopted by the Mission in computing the compensatory time off was a departure from the established procedure and gave rise to a risk of overpayment, the Board concluded that this breach of procedure did not result in any final overpayment since the amounts paid were eventually earned.

3. Payment of mission subsistence allowance for days of compensatory time off taken in the military observers' home countries

23. The Notes for the Guidance of Military Observers on Assignment, dated June 1991, state that exceptionally and until further notice, military observers serving with UNIKOM may be paid the full rate of mission subsistence allowance during compensatory time off, wherever it is taken. On the other hand, the draft field administration manual, issued in September 1992, states that mission subsistence allowance is payable in respect of compensatory time off regardless of whether it is spent in or outside the mission area, provided that no mission subsistence allowance is paid if a military observer spends compensatory time off in his or her home country.

24. The draft field administration manual establishes a general policy regarding mission subsistence allowance payments during compensatory time off, and the Notes for the Guidance of Military Observers on Assignment set the specific conditions for UNIKOM. The Board considers that the provisions on mission subsistence allowance in respect of compensatory time off as set out in the draft manual are in conflict with the Notes for Guidance issued to military observers in June 1991. On this point, the draft field administration manual in its preface specifies that it does not contain material that would provide a ready solution to every administrative problem that may arise in the field, and that it should always be read in conjunction with the relevant original manuals and/or rules and regulations or other documentation; in the case of any discrepancy between the text of the manual and that of the original documentation, the latter should prevail. In this regard, the Board was of the opinion that the payment of $1,668,090 to military observers for days of compensatory time off taken in the military observers' home countries was in accordance with the Notes for the Guidance of Military Observers on Assignment, which was dated June 1991 and therefore valid.

25. In May 1997, the Department of Peacekeeping Operations issued another directive concerning the mission subsistence allowance payment for compensatory time off spent outside the mission area and instructed UNIKOM that all current and future guidelines on such matters as annual leave, compensatory time off and mission subsistence allowance for military observers and civilian police, including the Notes for Guidance and mission standard operating procedures, must reflect the United Nations policy as contained in chapter 7 of the draft field administration manual, with the following modification: mission subsistence allowance payments for compensatory time off spent outside the mission area, including in the home country, was to be reduced by half. In all other respects, according to the directive, the draft field administration manual correctly stated United Nations standard policy on mission subsistence allowance, compensatory time off and annual leave for military observers and civilian police. UNIKOM implemented the policy of reducing mission subsistence allowance by half for compensatory time off spent outside the mission area, effective 1 May 1997.

C. Field administration manual

26. The Board noted that the draft field administration manual issued in September 1992, which is used to guide the operations of field missions, had not been finalized.

27. The Board is pleased to note that the Administration issued detailed guidelines on mission subsistence allowance in administrative instruction ST/AI/1997/6, dated 20 October 1997. The guidelines reflect the consolidation of mission subsistence allowance practices that have evolved over the years into a coherent policy that serves to standardize its application across all field operations and to simplify its administration. The provisions in the administrative instruction, which came into force on 1 November 1997, have not been included in the field administration manual.

28. **The Board recommended and the Department of Peacekeeping Operations agreed that the draft field administration manual should be reviewed, approved and regularly updated to facilitate the proper administration of field activities.**

III. General conclusion

29. The Board was concerned about the various failures in the administration and payment of mission subsistence allowance in UNIKOM. **The Board recommends that the Department of Peacekeeping Operations identify lessons learned from the cases highlighted in the present report and disseminate them to all peacekeeping missions.**

30. The Department of Peacekeeping Operations informed the Board that the promulgation of the new mission subsistence allowance policy in administrative instruction ST/AI/1997/6 appropriately addressed the problems that arose in UNIKOM and lessons identified from that case.

IV. Acknowledgement

31. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended by the Secretary-General, the Under-Secretary-General for Management, the Under-Secretary-General for Peacekeeping Operations and members of their staffs.

(*Signed*) Sir John **Bourn**
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

(*Signed*) Osei Tutu **Prempeh**
Auditor-General of Ghana

(*Signed*) Celso D. **Gangan**
Chairman, Philippine Commission on Audit